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REPORT OF SECRETARY OF TREASURY.

TREASURY DEPARTMENT, C. S. A.
 RICHMOND, May 2, 1864.

Hon. A. H. STEPHENS,

President of the Senate:

Sir—I have the honor to submit the following Report of the condition of this Department on the 1st April, 1864.

The receipts into the Treasury for the two quarters ending on that day are as follows:

4 per cent. call certificates, act March 23, 1863,	\$1,343,000 00
4 “ “ coupon bonds, “ “ “ “	40,473 90
4 “ “ registered stock, act Feb. 17th, 1864,	250,000,000 00
5 “ “ call certificates, act March 23, 1863,	38,812,500 00
6 “ “ bonds and stocks, act March 23, 1863,	12,043,000 00
7 “ “ “ “ “ act Feb. 20, 1863,	2,361,300 00
8 “ “ registered stock, act May 16, 1861,	190,100 00
8 “ “ bonds, act August 19, 1861,	26,650 00
8 “ “ bonds and stocks, act Feb. 20, 1863,	2,194,600 00
6 “ “ cotton interest bonds, act April 30, 1863,	6,160,000 00
Premium on same,	2,815,000 00
War tax,	59,406,724 01
Treasury notes,	265,690,928 50
Sequestration,	3,000,787 37
Re-payments by disbursing officers,	42,772,222 42
Customs,	441,094 32
Overseers' exemption and tax on non-combat.,	595,036 95
Export duty on cotton,	14,322 50
Patent fund,	26,957 00
Interest on loans,	4,208 71
Dep'd under 12th sec. act Feb. 17, 1864, by States,	471,300 00
“ “ 18th “ “ “ “ “	367,600 00
Miscellaneous,	2,615,475 55
Total,	\$691,393,281 23

The expenditures during the same period are as follows :

War Department,	238,572,374 25
Navy,	10,853,723 27
Customs,	26,325 93
Civil, miscellaneous, and foreign intercourse,	5,611,299 00
Public debt,	128,046,836 59

\$ 383,110,559 04

Balance in Treasury, \$308,282,722 19

This balance is made up as follows :

Notes funded and on hand for cancellation,	\$ 250,000,000 00
Notes returned by disbursing officers	42,000,000 00
Balance cash in hand—about,	16,000,000 00

The public debt on the 1st of April, 1864, was as follows :

FUNDED.

Act Feb. 28, 1861, 8 per cent.	15,000,000 00
Act May 16, 1861, “	8,891,700 00
Act August 19, 1861, “	100,000,000 00
Act April 12, 1862, “	3,182,850 00
Act Feb. 20, 1863, “	95,763,700 00
Act Feb. 20, 1863, 7 per cent.	66,318,550 00
Act March 23, 1863, 6 per cent.	11 646,200 00
Act April 30, 1863, “	8,393,000 00

\$ 309,196,000 00

To which must be added the following call certificates outstanding, to wit:

Act Dec. 24, 1861, 6 per cent.	\$40,439,170 00
Act March 23, 1863, 4 per cent.	1,825,000 00
Act March 23, 1863, 5 per cent.	72,074,100 00
	<hr/>
	114,338,270 00
7.30 interest bearing Treasury notes,	99,996,400 00

Total, \$ 523,530,670 00

UNFUNDED.

Act of March 9th, 1861, int. notes \$3 65,	\$534,500 00
Act of May 16th, 1861, two year notes,	8,204,575 00
Act of August 19th, 1861, general currency,	154,356,631 00
Act of April 17th, 1862, denom'n of \$1 and \$2,	4,516,509 00
Act of Oct. 13th, 1862, general currency,	118,997,321 50
Act of March 23, 1863, general currency,	511,182,566 50
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Total,	\$797,792,103 00

From this is to be deducted the amount of re-payments of old currency by disbursing officers, and also the amount of notes received for 4 per cent. certificates which are in the Treasury awaiting cancellation,	292,000,000 00
	<hr/>
	\$505,792,103 00
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The balances of appropriations not drawn on 1st April, 1864, were,	
War Department,	\$502,329,110 21
Navy Department,	33,046,775 79
Civil and miscellaneous, including customs,	72,865,683 39
	<hr/>
Total,	\$608,241,569 39

The estimates submitted by the various Departments for the support of the Government to the end of the calendar year, say 31st December, 1864, are as follows:

Legislative,	\$245,625 00
Executive, salary of President, &c.,	37,350 00
Treasury Department,	22,508,462 50
War Department,	483,131,598 00
Navy Department,	10,059,923 78
State Department,	44,914 00
Department of Justice,	347,991 58
Post Office Department,	165,583 40
	<hr/>
Total,	\$516,541,448 26

The foregoing statements show that the estimates in December last for the six months ending 1st July, 1864, are greatly beyond

the requirements of the Government. It appears from them that the whole expenditure for all branches of the Government for the six months ending 1st April, 1864, amounted to \$255,563,722, and that the unexpended balance then standing to the credit of appropriations was \$608,241,569. The anticipated tax upon the currency, which was to accrue on 1st April, doubtless kept back requisitions for debts accruing since the 17th February, when the Tax Act was passed. It would be proper, therefore, to add for this item about 75 millions to the expenditure. The total expenditures for the six months would then be about 330 millions, and the balance to the credit of undrawn appropriations would be about 523 millions. These figures establish the conclusion that the money appropriated for the six months ending 1st July, 1864, will not be required, and that the excess may be applied to diminish the appropriations required for the six months ensuing the 1st July, 1864. It appears that the monthly expenditures, at the outside, average about 54 millions, and consequently for the three months to ensue from 1st April to 1st July, 1864, the proper expenditure of those three months would be

\$162,000,000

But to this must be added the item already explained of amount of debts suspended on account of the anticipated tax on the currency, say

75,000,000

This aggregate,

237,000,000

deducted from the total balance of undrawn appropriations,

608,241,569

leaves this balance,

\$371,241,569

available for expenditures for six months beyond 1st July, 1864. It should further be observed that the estimates submitted by the Departments are made with relation to the present rate of prices. If that rate can be reduced, a corresponding reduction could be made on the estimates themselves.

The first and most important inquiry, therefore, is as to the probability of a reduction of prices. All the financial measures proposed to and adopted by the last Congress looked to this result. The scheme offered by the Secretary of the Treasury, and that adopted by Congress, both sought by different means to effect the same object. Which of the two would have proved most successful it would serve no useful purpose to consider. It is the plain duty of the Government to execute the scheme adopted by Congress, and every effort has been directed to its successful prosecution. It is yet too early to perceive all the results which it will effect; but it

is quite clear already that the reduction of currency which it will produce is great and decided.

On the 1st April, when the reduction was to commence, the whole issue of general currency (represented by the Treasury notes bearing no interest) amounted to about 800 millions. Of this amount 50 millions were probably at the credit of the different disbursing officers throughout the Confederacy, leaving 750 millions as the actual circulation. Of this amount about 250 millions have been funded east of the Mississippi; and it may fairly be presumed that 50 millions more will be funded west of the Mississippi; thus leaving in circulation 450 millions. The depositaries were directed to discriminate in their reports between the notes of one hundred dollars and those under one hundred, which have been funded. Only a few of them have made reports in which this direction has been complied with, most probably from want of time to separate notes. But those few are in the cities, where the hundred dollar notes would be likely to accumulate. They disclose the remarkable fact that less than one-half, in some cases not more than one-third, of the notes funded are one hundred dollar notes. It may be assumed, therefore, that not more than one-half of the whole amount funded consists of one hundred dollar notes. By the terms of the currency act, these notes are thrown out of circulation after 1st April, and are taxed 10 per cent. per month until extinguished. It is important, therefore, to ascertain the amount of those now outstanding.

The whole amount of one hundred dollar notes issued to the 1st April, 1864, was 318 millions. It is probable that of the 50 millions of dollars remaining at that date to the credit of disbursing officers, a large proportion is represented by these notes, say 40 millions, thus leaving 278 millions of them in circulation. Deduct from this sum one-half of the total amount funded, which, as already stated, consists of one hundred dollar notes, to wit, 150 millions, and there are left unfunded 128 millions of these notes. This sum, therefore, constitutes that remainder whose amount we have been seeking, and is to be deducted from the 450 millions left as the entire circulation after the funding. The result is that the whole currency would then stand at 322 millions. Deduct from this balance the tax of one-third which is imposed by the currency act, and the actual currency left in circulation is 214 millions and a fraction.

It is only necessary for the public mind to apprehend fully this state of things, and it would seem impossible to avoid a great and sudden fall of prices. This fall has been checked by the unfortu-

nate feature of leaving the five dollar notes current. Sellers, particularly of necessary articles, have had the excuse of demanding an indemnity for the future tax on these notes; but the time is at hand, when they will share the fate of other notes, and the entire old currency must disappear. Another reason, which has checked the reduction of prices of articles of prime necessity, is the exoneration of the planting and farming classes from taxes. They have thereby been enabled to retain their products. But when the whole scheme of Congress shall go into full operation, say 1st July, the reduction of currency will be so great that it is scarcely possible that prices can be maintained at existing rates. The conclusion, then, seems fair that, if the currency can be restrained within the limits to which it has been reduced, the estimates called for by the Departments may be greatly reduced. This result will depend upon the extent to which the new issue of Treasury notes is carried. The law directs the issue of two dollars of new notes for every three dollars held in private hands, with the exception of one hundred dollar notes, and notes under five dollars. It also authorizes the Secretary of the Treasury to issue in the same manner, two dollars for every three dollars received at the Treasury under the provisions of the currency act.

Assuming the figures above stated as probable estimates of the result of funding, the amount of new currency to be issued for exchanges with private parties, will be 214 millions; and the issues authorized to be made for the use of the Government would amount to two-thirds of 300 millions, or 200 millions. The aggregate of these two would carry up the currency again to 414 millions.

This amount is more than twice the sum which in previous reports I have shown to be requisite for the entire circulation. With such an expansion, prices could not be expected to fall to the proper standard; and the conclusion seems inevitable, that one or other of these sources of expansion must be restrained. The currency act has distinctly guaranteed to the holders of currency the right to receive new issues upon the abatement of one-third from the old; and this right cannot justly be impaired. It should only be dealt with, therefore, by offering to the holders of these notes a security which they might prefer to the new issues. Possibly this might be done by giving them an option to exchange their notes for four per cent. bonds, free from taxation. This freedom from taxation would be an equivalent for the reduction of one-third to which their notes had been subjected; and if this plan were accepted, equality between these holders and those who had already funded their notes in four per cents. might be restored, by granting

to the latter the privilege of exchanging their four per cent. taxable bonds for untaxable, at a reduction of one-third. The compensation to the Treasury would be found in the amount which would thereby be paid in money, instead of four per cent. bonds, for the taxes of the present year.

This arrangement, however, with individuals, if left as it should be, to their choice, would be beyond the control of the Government. The other source of issue, namely, that by the Government, is the one which is under its complete control. It is the restraint of this alone which will enable it to prevent a new redundancy of circulating medium. It therefore becomes an inquiry of vital importance to ascertain how far this restraint can be carried. Obviously it depends upon the extent, and availability of the other means furnished by Congress, for supplying the demands of the Government. The means which have been already provided by Congress, (over and above the issue of new Treasury notes) are three, namely, the sale of 500 millions of six per cent. bonds, certificates of indebtedness and taxes,

1. The six per cent. bonds authorized by Congress, offer so desirable a security, that it may reasonably be expected that they will be taken up to the full extent of the available capital of the country. The mechanical arrangements required for the issue of bonds with so many coupons, will delay their issue until the month of May. In the meantime, to support the Government during the month of April, and to pay off the accumulation of public indebtedness, which arose from the indisposition to accept payments in old currency, since the passage of the currency act, it became necessary to exercise the authority to issue new Treasury notes. At the date of this report, 38 millions have been issued, and ten millions in five hundred dollar notes are prepared for issue; and this issue must be continued until the bonds can be sold. They have already been advertised, and will be offered for sale early in May; and it is hoped that the proceeds of their sale will supply means for supporting the Government, without resorting to the authority to issue Treasury notes.

2. The next means of supply provided by Congress, is through certificates of indebtedness. These certificates offer another desirable security, and would seem to be peculiarly available for making purchases. They are payable in specie, two years after peace, and bear six per cent. interest. It is of the utmost importance that the various purchasing officers of the Government should use these certificates, instead of calling upon the Treasury for new issues of notes. It is so much easier, however, for both

buyer and seller to deal in notes, that the temptation to call for them is invincible, and can only be restrained by an absolute refusal to furnish them. The experience of this department has shown, that an authority given to it to issue Treasury notes as an alternative for bonds, results in compelling it to furnish the notes, whatever may be its own opinion as to the inexpediency of the issue. It is in this way that the late redundancy of the currency was produced. As far back as May, 1861, when the first issue of bonds and Treasury notes jointly was authorized, the Secretary used every effort in his power, to induce the various purchasing officers to make use of bonds instead of Treasury notes. This effort was continued under the act of August, 1861, and he even ventured upon the compulsory method of holding back his warrants on requisitions, unless bonds would be accepted instead of Treasury notes. The pressure, however, for the notes became so great, that he was unable to resist it. In these circumstances he distinctly presented to Congress the evils which must follow the expansion thus produced; and during the session of September, 1862, urged upon them to take immediate measures to absorb the redundant currency. Embarrassed as Congress then was, with supposed constitutional difficulties in the way of levying a tax, a large forced loan was the only alternative which could be offered. This alternative was rejected; and it was not until April 24th, 1863, that a tax adequate to the wants of the country could be imposed; and this tax was so complex and intricate, that its collection could not be fairly set in action until the following October. The only tax laid before this, was the war tax of August, 1861, of one-half of one per cent. on property; and small as this was, all the States except three intervened and paid the amount due by their respective citizens, by the issue of their own securities. Even under all this pressure the Government succeeded in effecting a foreign loan of fifteen millions of dollars at a time when the Northern Government, with all its resources, and with a commerce open to the whole world, was unable to effect one. If the Treasury Department had been permitted to apply this money to the support of the currency, its excessive issue and consequent depreciation would have been postponed, if not prevented. But the pressing demands of the Government for munitions of war, and for expenditures abroad for the army and navy, consumed the entire proceeds of the loan. An effort was then made to combine the credit of the individual States with that of the Government, with a view to procure further means to call in the circulation. That effort failed to receive the support of some of the States, and before that support could be propitiated by further efforts, military re-

verses put an end to all hope of present relief from foreign loans. In the meantime, many of the states entered upon the same field of credit, issued large amounts of bonds and Treasury notes, and the result was that expansion which has just been remedied, and which ought not to be permitted to recur. The financial measures adopted at the last session of Congress, have given the country a new starting point. The currency is once more brought within bounds, and it is most earnestly urged upon Congress, so to fence around those bounds, that they cannot be passed. This can only be done by a careful revision of every appropriation, and by admitting only such as are absolutely necessary; by a steady refusal to increase the volume of the currency, and by providing sufficient other means to meet the appropriations which shall be made.

3. This brings us to the consideration of the remaining means of supply which have been afforded by Congress, namely, taxes. This source of supply is in fact the foundation of all others; without it, they cannot be sustained. Two kinds of taxes have been provided, those in money and those in kind. The money taxes to be paid during the current year have been devoted by Congress almost entirely to the support of the currency. The tax-payers are allowed to pay their taxes with the 4 per cent. bonds and certificates in which the currency has been funded. It is presumed that every taxable party has supplied himself with bonds to the estimated amount of his tax; and if there be cases of deficient provision, doubtless they will be supplied from surplus amounts funded by others, and offered for sale in the market. It is probable, therefore, that no material aid will be derived by the Treasury during the present year from any taxes but those in kind. This seems to me to be an unfortunate feature in the Tax Act. Payment into the Treasury of Treasury notes is a necessary instrument to their proper circulation. Without the aid of such an instrument, the currency of the notes depends entirely upon consent. They are deprived of one of the essential elements of value, namely, general demand. The new notes, not being required to pay taxes until next January, lose this valuable incident during all that interval, and must obtain currency entirely from the good will of the community. Another equally serious difficulty arises from the same cause. The planting interest, wherever it is beyond the reach of the enemy, is prosperous and can contribute to the public wants as largely as any other. The tax law requires from it a tax in kind of ten per cent. on its annual produce, and of five per cent. on capital, but it allows the tax on the produce to be set off against the tax in money, and it ensures the extinguishment of

the money tax by valuing the produce at its present price, while the capital is valued at prices of 1861. It follows that the planters are relieved from any necessity to provide themselves with Treasury notes, and may withhold from the market their produce at pleasure. It follows, also, that the prosperous are favored with a discount, while the unfortunate, whose farms have been desolated, are required to pay upon the value of their capital, without any relief from crops. It would seem more just to reverse such a rule, and to require the larger contribution from those whose property has been protected at the expense of the others. Proceeding on the same general grounds, the Tax Act further exonerates from the income tax of the present year, all property upon which a capital tax shall be paid, but it makes no such discrimination in assessing the capital as is made in favor of agricultural property. All property and income not agricultural is assessed at present rates. In another connection, I will invite your attention to the injustice of these inequalities. My object now is to induce a reconsideration of this portion of the Tax Act. It has already been shown that as the act now stands no pecuniary aid is afforded to the Treasury during the present year, and that unless sufficient supplies shall be derived from sales of bonds and from certificates of indebtedness, there will be nothing left but a resort to new issues of Treasury notes. It is therefore of the utmost importance to call into requisition every possible means of preventing such a calamity. The taxes offer the most appropriate and efficient means, and can be made to contribute largely by simply repealing so much of the Tax Act as allows income taxes, whether in kind or in money, to exonerate from the tax on capital. The tax of ten per cent. on the planter's income leaves him an abundant surplus for his support, and, if justly considered, is greatly less than the tax which other interests are required to pay on capital. Let the two be compared and this will at once be manifest. As a general rule, the interest of money represents the usual income of capital. A tax of ten per cent., then, on the income of \$100, would amount to 60 cents, while a tax of five per cent. on the capital would be five dollars. It will be said, however, that the tax in kind, being upon gross products, must be rated at more than the nett income or interest on other property. Let this be admitted and assume that the tax on gross income is double the amount of a tax on nett, and we still have the inequality of five dollars against one dollar and twenty cents. But when to this inequality is added that produced by assessment at the two rates already explained, the inequality amounts to injustice. The proper remedy for the

whole is to be found in an equal tax upon all capital and upon all income at the same basis of assessment. The present system of taxation is so cumbrous and intricate that delay and disappointment will be its inevitable results; and whenever another tax bill is framed I would renew my former recommendation and urge that it be a simple tax upon property and incomes. At present I will limit my recommendation to a repeal of the following provisions of the last act:

1. That which allows the value of the tax in kind to be deducted from the tax of five per cent. on agricultural property.
2. That which repeals the income tax for the present year on incomes derived from property taxed as capital.
3. That which discriminates as to the date to which assessments are to have reference.

The taxes in kind levied by the last Tax Act appeared to me to embrace (and with much propriety) another subject matter, namely, gold and silver in the form of coin, gold dust or bullion. Some embarrassment in reaching this conclusion was experienced from apparently conflicting provisions of the tax and assessment acts. The latter directed coin to be assessed at its value in Confederate Treasury notes, unless otherwise provided in the law imposing the tax. The former act placed in one and the same class, coin, gold dust, and bullion, and imposed a tax of five per cent. upon the "amount." The word "amount," as to coin, was susceptible of two meanings, namely, the sum stamped thereon, and the actual quantity of metal. The other members of the class were free from this ambiguity and could only be rated by quantity. It seemed to follow that the same meaning must attach to all the members of the same class. This conclusion was strengthened by the direction to rate sterling exchange (which is usually treated as a correlative of coin) at its value in Treasury notes, and by the further direction already noticed in the assessment act to assess coin in the same way. It was obvious that the holder of coin would suffer no injury by contributing such portion of his coin in kind, as under any circumstances he was bound to furnish sufficient Treasury notes to purchase. It was thought probable that the tax in kind was intended by Congress to relieve the Government from the obnoxious duty of depreciating its own currency. The tax levied in this form is also more beneficial, as it will secure to the Government a portion of those large amounts of coin which have fled from the plundering hand of the enemy and have found protection here; and further, as it will enable the Government to meet such demands for coin as occasionally arise.

There is another portion of the Tax Act to which I would respectfully direct the attention of Congress. A tax is imposed upon the capital stocks of all Banks and other corporations, and another is laid upon all solvent credits. The effect of these two enactments is to tax the capital of any corporation as stock and then again to tax the securities in which the capital is invested. Banks of issue would be taxed even beyond this. Their issues, like their capital, are invested in securities. If these issues should be extended to twice the capital, (as many of them are permitted by their charters to do,) the Bank would have to pay a tax of five per cent. on its capital, and then of five per cent. more on the total amount of credits in which its issues have been invested, amounting together to 15 per cent. on its capital. This result is so manifestly unjust that I concluded that Congress could not have intended it. It probably was supposed that Banks came under the exception in favor of any registered business. This exception, however, does not include Banks of issue. I have therefore directed the assessors to make assessments in such form as will enable Congress to remedy the difficulty before the tax becomes payable. Several of the Banks have applied for relief, and I respectfully commend to your attention a memorial which they have presented to this Department, a copy of which is herewith submitted.

Another embarrassment in administering the Tax Act has been encountered in that portion which directs the tax in kind of farmers to be deducted from the tax of five per cent. on their capital. If the deduction intended was of the tax in kind of last year, then the planting interest will be entirely relieved from the taxes of last year, whilst all other interests have duly contributed. If the reference is to the tax in kind of the current year, then as the money tax is payable in June, and the tax in kind cannot be realized until later in the year, it is impossible to deduct the latter from the former. Some explanatory act is respectfully asked.

I cannot leave this subject without specially invoking your attention to the inequality made by the Tax Bill in the assessment of agricultural and other property. While the latter is assessed at its value in Treasury notes, which are acknowledged to be depreciated at least to one-third their face, the former is assessed at values which prevailed when Treasury notes were nearly at par with specie. This inequality creates discontent in the public mind, and cannot be maintained as just and equal. In all public as well as private transactions it is dangerous to depart from the great principles of justice with a view to effect present expediency. Doubtless it was supposed that legislation of this kind would reach

the speculator and extortioner. But it will be found that most of these classes have escaped the tax by taking refuge in agricultural investments; while thousands of widows and orphans and loyal citizens, who have invested their all in stocks and securities, are deprived of their means of support. I would respectfully recommend a revision of this section and the establishment of a uniform rate of assessment.

The report of the Commissioner of Taxes will present the results of the collection of taxes as far as progress has been made. The amount collected is \$82,262 349 83. The difficulties which are encountered in the collection can only be estimated by any one who will inspect the mass of papers which are required for each return, and the inquiries necessary to be made of each individual tax-payer. The results of the tax will probably confirm the recommendation already made of a resort to a more simple system of taxation. The frauds and evasions which cannot be discovered under the present system are a perpetual drain upon the tax, which is necessarily increased by the number of officers who must be employed in its collection. And after all is done by the Government which is possible, the result is that the most cunning in devices will escape, whilst only the honest and conscientious pay the full and just demands of the law. In the process of collection various amendments to the law have been found necessary, which will be brought to your attention in the report of the Commissioner of Taxes, to which I respectfully invite your attention.

The act imposing restrictions on the export of cotton, tobacco and naval stores, and that prohibiting the importation of articles of luxury, have received the attention which they demanded. Under the first act certain regulations, issued by the President, of which a copy is herewith submitted, will fully exhibit what has been done; and under the second, this Department has executed the duty imposed upon it as to the limitation within which importations shall be made of articles to be used for wearing apparel. A copy of the instructions issued to the collectors of customs on this subject is herewith submitted. The customary estimates in detail are hereunto appended.

Respectfully submitted.

C. G. MEMMINGER,
Secretary of the Treasury.

Faint, illegible text, possibly bleed-through from the reverse side of the page. The text is arranged in several paragraphs and appears to be a formal document or report. Some words are difficult to discern but may include terms like "The following information", "It is requested", and "Very respectfully".





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